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According to official sources, some of the factors responsible for the rapid increase both in acreage and production were the fixing of a favorable price ratio between cotton and grains and the improvement of yield per unit. Thus preferential treatment, although not consistently, was given to the cotton farmers.

Table 10. THE RATIO OF COTTON PRICE RELATIVE TO GRAIN
(In weight-units of grain to one unit of cotton lint, 7/8" grade)*

	1950	1951	1952	1953	1954
Wheat region	7.0	8.0	7.5-8.5	6.25-7.5	6.75-8.0
Millet region	8.0	8.5	8.0-9.5	6.75-8.0	7.5-8.25
Rice region	6.5	8.5	8.0-9.0	6.75-8.0	7.25-8.25

* Newspaper Reading Handbook, Hankow, 1950, p. 574; Ching-chi Chou-pao [Economic Weekly], No. 14, Shanghai, April 1953, p. 3, and No. 21, May 8, 1953, p. 21, and NCNA, March 3, 1954.

The prices listed under "Wheat region" were in Table 10 used in Honan; those listed under "Rice region" were used in Hupeh, Kiangsi,

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Hunan, Kwangtung, and Kwangsi either for agricultural-tax payment or for purchases for consumption. The adjustment of the above parity prices has affected the upward or downward changes of acreage and production very considerably. 248 435

Regarding the average cotton yields during the 1949-53 period, an upward trend was noticed throughout these years, except in 1953, when an average decrease of 34 per cent was marked from the yield of 1952. This was due mainly to the floods and drought in Honan, Hunan, and Kiangsi provinces during that year. 248 433

kept but not used in transactions, most of them were surrendered to the People's Bank in exchange for bank notes. Although some may still be hoarded, they will not have much effect on the stabilization of People's Bank currency. 436 652

The disappearance of Hong Kong currency and silver dollars from the market does not mean that the people have confidence in the Communist currency. The former were simply driven out by force. On the contrary, the continued preference among Cantonese for Hong Kong currency has been amply proved by the black market rate of People's Bank notes in Hong Kong. Before the issue of the new notes, big denominations were quoted at HK$1.48 per PB$10,000 on January 17-21, 1955, against the official rate of HK$2.34; this is a discount of 37 per cent. The black market rate of People's Bank notes rose to HK$1.85 per Yuan on July 11-16, 1955, because of the contraction of cash notes through the exchange of the old notes for the new ones. Needless to say, the people in the interior still treasure silver dollars if they are given freedom of choice.

B. Currency Control

At the time of issue of the new currency, the Communist authority boasted of the stability of People's Bank notes as proved by the fact that there had been no change in commodity prices at the time of currency conversion in March 1955 when they were required to be quoted in terms of the new currency, and that retail prices in Hankow even 652 435

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dropped by 0.83 point from the index before the issue of new currency.[16] True, the price level had been stabilized since March 1950, but this was attained by the control of commodities and, in particular, by currency control. Thus the inflationary trend of the Communist currency was concealed.

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Control of the currency has been effected by control over cash through the banking mechanism, as mentioned in the discussion of the banking system, and by the withdrawal of currency from circulation through frequent impositions. The impositions began with an issue of Victory Bonds in 1950, amounting to US$ 70 million, 30 per cent of which was allocated to Central-South China.[17] This was followed by the ammunition contribution for the Korean war made by this area in 1951, which was more than 21 per cent of the total amount of US$ 220 million.[18] During the Nationalist regime, the savings of the people in Central-South China had been relatively the smallest, as indicated by bank deposit statistics. When the Communists attempted to squeeze out people's savings by imposing penalities during the so-called Three-Anti and Five-Anti campaigns, currency held by the people had been so scanty that the People's Bank advertised in newspapers, stating it was prepared to accept silver or silver dollars. The Economic Reconstruction Loan of 1954-55 was mainly aimed at absorbing the savings held by the poorer people; the scarcity of savings was attested by the fact that workers' subscriptions were allowed to be deducted from their wages over a period of from three to ten months.

16. New China News Agency Release, Peking, March 1, 1955.

17. New China Events Quarterly, No. 4, 1949, p. 127.

18. Ho Yu-wen, Chung-kung Ts'ai-cheng Chieh-p'ou [An Analysis of Communist China's Finance], Hong Kong. Asia Press, 1953, p. 74.